

The AMERICAN OBSERVER

A free, virtuous and enlightened people must know well the great principles and causes on which their happiness depends. — James Monroe

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Armistice Is Signed by Japan and China

Hostilities in Peiping-Tientsin Area Come to Halt as Chinese Accept Truce Terms

IMPORTANT GAIN FOR JAPANESE

But Further Trouble Is Feared as Civil War Threatens in China

At exactly 11 minutes past 11 on the morning of May 31, a truce formally ending hostilities in North China was signed in Tangku, a port on the Chinese coast some 30 miles from Tientsin. The terms of the agreement were dictated by the Japanese and accepted without reservation by the Chinese. It represents a signal victory for Japan.

Terms of Truce

The truce provides that Chinese troops shall retire behind a line running parallel to, and 25 to 30 miles north of Peiping and Tientsin (see map on page 7). The area between this line and the Great Wall, the southern boundary claimed for Manchukuo, will constitute a demilitarized zone. From time to time it will be inspected by the Japanese, for the most part with airplanes, in order to assure that the Chinese have not violated their pledge not to send troops beyond the line. Once they are satisfied that the zone is completely demilitarized, the Japanese will retire gradually to the Great Wall. Peace and order are to be maintained in the zone by regular Chinese police authorities. In the carrying out of these provisions the Chinese promise not to offer provocation to the Japanese, and pledge full protection to any Japanese sent as observers to the neutral zone.

It is evident that this severe armistice imposed by Japan means that China has capitulated. While the Nanking government takes pains to explain that the truce is only a military agreement designed to give a much-needed rest to sorely pressed soldiers and has no political significance, it is nevertheless apparent that Japan has won in North China. The truce may be broken and hostilities renewed, but it does not seem likely that the Chinese can recover much from the defeat which they have just accepted. The Japanese are hopeful that China will now consent to enter into direct negotiations in order to settle all outstanding differences between the two countries. China, however, has given no indication of her attitude in this respect.

The Tangku truce marks the end of another phase in the long-drawn-out war between Japan and China which began with the capture by the Japanese of Mukden, the capital of what then was Manchuria but now known as Manchukuo, independent by the grace of Japanese support. After the first conquest was completed, a second was launched in order to annex the province of Jehol which brought the boundary of Manchukuo south to the Great Wall. After this, still a third campaign was inaugurated, this time in North China. The Japanese stated that this advance was necessary to suppress sporadic attacks by the Chinese along the Great Wall. The real reason, however, seems to have been that

(Concluded on page 7, column 1)



THE TOWER OF LONDON

—Talburt in Washington News

An Educational Problem

In his remarkable book, "The Land of the Spotted Eagle," Chief Standing Bear has a great deal to say about the training of the young among his people, and the picture he paints of the development of social and civic virtues is one to which we of a more complex and allegedly superior civilization may well give attention. The Lakotas have acquired a habit of slow and careful speech, he says, and very seldom does one of them speak ill of an acquaintance. This is a virtue of prime importance. How is it developed? Not by a means which is available to us. The Lakotas, like most human beings, are superstitious, and they have the peculiar belief that if one has been wronged or slandered, his ghost may return after his death to plague the offender and even to produce physical deformity. Hence the extreme caution which manifests itself in an avoidance of slander. Though we are not free from superstition, we are sufficiently emancipated not to be bound by a tradition of that kind. We have moved toward rationality far enough so that this very potent form of social control cannot operate. And this is but one of many types of social control—forms which in the past have been used effectively to compel obedience on the part of the masses to the accepted moral codes. In simple societies the masses are held in line by fear. Our modern civilization is no longer simple. The need of compliance with general rules of morality are as great or greater than ever before. Yet, probably fortunately, powerful forces compelling the acceptance of standards of conduct have been dissolved. We depend upon reason, upon persuasion. And this is a looser bond. This fact constitutes a challenge to those who are engaged in the task of education. How can persuasion be made so effective, with fear removed, as to result in the maintaining of standards? It is a problem too much ignored. One feels as he reads this explanation of Indian life that these simple people paid far more attention than we do to the problem of developing in the growing individuals personalities in accordance with accepted ideals. They had definitely in mind the sort of men and women they wanted the infants to become, and these children were carefully and painstakingly surrounded by the influences most likely to mould such personalities. The result was that the Indian boys and girls did approach very closely the ideals set before them. Their education was admirably adapted to fit them for the environments of later life. In our own complex civilization the environment is more complex. It is not so easy to select the qualities which should be encouraged. But the very difficulty of the task imposes a heavy responsibility upon us. We are surely under obligations to find educational devices as well adapted to our needs as the simpler devices of primitive peoples have been to their requirements.

Control of Industry Program Explained

General Hugh S. Johnson Prepares to Carry Out Provisions of President's Measure

BROAD PUBLIC WORKS FEATURE

Expenditure of \$3,300,000,000 Expected to Give Added Impetus to Industry

By Max Stern

On the third floor of the big and palatial Department of Commerce Building at Washington is a corridor of rooms, vacant but for a few chairs and tables. In the middle room there sits at his desk a short, stoutish man of fifty-one with greying hair, an out-of-door complexion and the square jaw proverbial to the Big Business executive. He is General Hugh Samuel Johnson of Moline, Illinois, and he is waiting restlessly for marching orders from Congress and the White House as he prepares to tackle the biggest job in America today.

General Johnson, you should know, is the man selected by President Roosevelt to administer the pending National Recovery bill, probably the greatest and most daring piece of social legislation ever dropped by a president into the lap of a Congress.

Industrial New Deal

Consider, for a moment, this bill. Although born of the labors of a half-dozen minds, it is the Roosevelt administration's own and chief fulfillment of its pledge for a "new deal" to the suffering American masses. It is called "a bill to encourage national recovery, to foster fair competition and to provide for the construction of useful public works and for other purposes." It is an emergency measure to last at least a year.

Its purpose is to provide industry with its first charter for national planning, to restore to industry the lost buying power of the nation's 40,000,000 wage-earners, to absorb the 13,000,000 jobless through shorter hours, to prime the pump of private industry by means of a \$3,300,000,000 public works program.

The measure is really two bills in one. The first part is called Title 1. In this is embodied the novel experiment of a partnership between three contracting parties—American industry, American labor and the American government.

The second part, or Title 2, while not launching a new adventure of government in industry, paves the way for the biggest public works program yet undertaken, a spending bee that is designed to stir employment in every corner of the land.

Title I writes history not only for America but for the industrial world. Under it industries are invited to form great trade associations, something like the cartels of Europe. While the anti-trust laws are not repealed, the wording of the act is a pledge of the government to nullify these laws to permit these industrial combinations for the time of emergency. The industrial groups then treat with the accredited representatives of labor in the creation of codes of "fair competition." These codes may limit the amount of goods produced, stipulate as to hours of employment in each plant and minimum wages to be paid, fix the price to be

charged the public. The fair competition codes must be submitted to the president's representative, the administrator of the act. Once approved, they may be enforced upon not only the majority companies in the industrial group but upon any rebel minority. If the industry cannot agree upon a satisfactory code, the president through his representatives can prepare one and enforce it under penalties. The bill, as passed by the House and reported by the Senate Finance Committee, calls for the licensing of industries as a further weapon of the government against recalcitrant industries.

Give and Take

The principle of Title 1 is simple. It is a compact between the three contracting parties under which each gives up something in return for something it wants more—an ordered and planned industrial society. Industry gives up its "rugged individualism." Labor gives up traditional aversion to being bossed by the government. The government gives up its anti-trust club over industry, the Big Stick of the first Roosevelt, and departs from its let-alone policy of 150 years for the new role of factory foreman.

Each wins something, too, aside and apart from the national recovery hoped from its passage. Industry can not only plan production so as to prevent the awful waste of the present chaos, it can remove from competition those minority employers who insist on hiring children at \$2 and \$3 a week, who thrive on sweatshop conditions at the expense of the more humane employers, who drag down the American living standard to the point where the home market for American goods is rapidly disappearing.

The workers will win recognition of collective bargaining, as they did during the Great War under President Wilson. They will win absorption of an estimated 6,000,000 unemployed, minimum wages, the end of child labor and other "unfair practices."

The government, if the measure works, will win acclaim for having opened the gates to recovery.

Public Works Program

Title 2 provides for the expenditure of \$3,300,000,000 in the next two years, a vast sum to be borrowed through a bond issue the interest of which is to be met from new taxes. Included in the projects that may be undertaken are highways, public buildings, low-cost houses to replace the slums of the cities, conservation works, rivers and harbor improvement, water-power development, naval vessels, other works.

Unlike the Hoover public works plan under the Reconstruction Finance Corporation, loans under this bill are made to states and communities secured not by rates collected from so-called "self-liquidating" projects but for projects that are socially-liquidating. That is, the loans are secured by taxes as well as by rates. Thus under the new measure improvements can be started that do not return immediate income. The scope is broadened to include such socially wise measures as slum abatement, erosion control, reforestation, grade crossing elimination and other constructive works. Outright grants up to 30 per cent of the cost of labor and materials may be made by the government to cities, states and "other public bodies." The president may also grant \$400,000,000 to states for the building of highways. The interest on the bonds is to be met not through a sales tax, as proposed by some members of Congress, but from other sources. The public works section is to be administered by a "Federal Emergency Administrator of Public Works," yet to be selected. He will be section boss of Section 2, but he will work under General Johnson.

The public works program bulks large, yet to many it is too small for the purpose of stimulating private industry and loosing the log jam of private credit. A group of senators, including Senators La Follette, Cutting and Costigan, have been urging the American Federation of Labor's demand for a \$5,000,000,000 public works

program. President Roosevelt, however, is convinced that the \$3,300,000,000 sum is ample to start a quick get-away in building.

"A careful survey," President Roosevelt told Congress, "convinces me that approximately \$3,300,000,000 can be invested in useful and necessary public construction and at the same time put the largest possible number of people to work." The president feels that this building program must be considered along with the other measures he has started along the same lines, the reforestation camps to employ 250,000 men, the Tennessee Basin project under the Norris Muscle Shoals bill, the various inflationary moves that already have put 600,000 men back to work, and the attempts his delegation will make to revive foreign trade at the London Economic Conference.

The Background

This tradition-smashing measure has also an interesting history. It did not spring full-blown from the brain of some Demo-

"Bob" Wagner of New York and others sat in with Miss Perkins in the framing of the new measure. When it emerged as the National Recovery bill, it had little resemblance to the original Black bill. It had taken into its sweep national planning, industrial welfare, public works, a new industrial order-in-the-making.

Much can be done under the "unfair practices" clause of the bill. Senator Black's 30-hour week ideal can be attained. Representative Connery's minimum wage plan can be achieved. Child labor, now exacting toil for wages from upwards of 2,000,000 children under 18 in factories, mills, mines and shops, can be eliminated for two years. Sweatshops that have become a scandal in Pennsylvania, Connecticut, New Jersey and other states, where wages run as low as \$2 and \$3 a week, can be outlawed for the next biennium. The depletion of America's buying power through low wages in the cotton belt, lumber sections and other regions can be checked. And, it is devoutly hoped,



BREAKING HOME TIES

—Darling in N. Y. HERALD-TRIBUNE

cratic demigod at Washington. Like Topsy it "jes' grew." Months ago Senator Hugo Black of Alabama introduced a bill providing for a 30-hour week in all industries shipping in interstate commerce. The bill was designed to absorb 6,000,000 or so of the jobless by making all manufacturers of interstate goods adopt the short week. It was not considered seriously at first. The nation was surprised when it passed committee and was given a safe majority in the Senate. When it got over to the House, Representative Connery, of Lynn, Massachusetts, sought, as chairman of the House Labor Committee, to enlarge it by including a minimum wage provision. About this time a group of progressive labor leaders came to Washington urging that the war-time expedient of wageboards be revived. Miss Frances Perkins, the secretary of labor, and the most progressive-minded of the president's cabinet, agreed that the Black-Connery bill should be enlarged. Conferences were called with the approval of the president. Men like Donald Richberg, counsel for the Railroad Brotherhoods, General Johnson, Dr. Felix Frankfurter of Harvard Law School, Budget Director Lewis Douglas, Senator

these evils can in a measure be eliminated from American industry for all time.

Administrators of Plan

Since no good measure can succeed without wise and militant administration, the personnel that will man the measure's administration is of the utmost importance. President Roosevelt thinks he has found the man to command and the man to counsel. They are General Johnson and Attorney Donald Richberg, both of Illinois. The former will be chief administrator, the latter his attorney and, probably, his associate. These two—the military and business man, and the labor lawyer and statesman—will occupy something of the same position with regard to the new act as ex-President Taft and his associate Frank P. Walsh did in administering the War Labor Board sixteen years ago. General Johnson is expected to handle the relationships of capital to the government, Mr. Richberg those of the labor organizations.

General Johnson has been described as a sort of super-trouble-shooter for the United States. A West Pointer, a graduate of the University of California law college and a

high-powered executive of the Moline plow works, he has had a breadth of experience with men that few attain at his age. He started trouble-shooting for Uncle Sam in 1906, three years after he left West Point as a lieutenant of cavalry. San Francisco had been laid low by earthquake and fire, and its hillsides were a shambles of blackened brick. Johnson was sent there to act as quartermaster and to feed the refugees encamped in parks and streets.

His next assignment was on the Mexican border. He had taken his law course and gotten his degree, and when General Pershing was sent into Mexico to chase the fleeing Villa, Johnson was with him as judge advocate.

His third big assignment from Uncle Sam was during the Great War. It was Johnson who conceived, wrote and virtually administered the draft act in 1917. Later he evolved the plan for the Purchase, Storage and Traffic Division of the Army's General Staff. Finally he became a member of the War Industries Board. Here he became associated with Bernard M. Baruch, progressive New York financier. After the war, covered with medals and glory, he resigned to accept a post of high responsibility with the Moline Plow Company of Moline, Illinois. In 1925 he was made chairman of the board of the Moline Implement Company, and in 1927 he renewed his associations with Mr. Baruch in New York. He has been with him ever since. Thus, trained in both military discipline and civilian initiative, he is expected to be the ideal administrator. Gruff on first acquaintance, General Johnson is described by his friends as warm and friendly. He is direct and forthright and is used to having his own way. Because he is a military man he is expected to take orders from his chief, President Roosevelt; because he is a highly trained business executive he is expected to give orders to his new "clients," the captains of industry and labor.

Assistant Richberg

His associate-to-be is of a different type. "Don" Richberg is conceded to have one of the best brains in the labor movement in America. Veteran of the Bull Moose days of political progressivism and of the famed La Follette campaigns, he is known as a stalwart political liberal. As one of the authors of the Railway Labor Act, the Norris "anti-Yellow Dog Contract" act and the National Recovery bill, his legal acumen has been devoted chiefly to the liberation of his fellows of factory, shop, mine and mill. He was the only lawyer called before the committees of Congress to defend the Recovery bill, and his answers proved that he knew not only its minutest terms but also its wider social implications. The president calls him "Donald."

Strangely in both of these men there is a leaven of the imaginative. Hard hitting as is General Johnson, he finds his joy in writing boys' books and stories of adventure. His "Williams of West Point" and "Williams on Service" are dear to the heart of many a boy. Having traveled widely as a soldier in the Philippines, China and other byways he has penned his adventures in stories in various magazines.

Mr. Richberg is a musician, composer, novelist, a golfer and a charming friend. His Phi Gamma Delta song, "Smoke Dreams," is a college classic; his novels, while little known, prove him the poet as well as the reformer.

Both General Johnson and Attorney Richberg are fifty-one years old. They admire each other and they should make a strong team. If industry is to have new bosses in Washington it will have in these two men bosses of the new school. And they will not be straw bosses.

President Roosevelt, who is an ardent swimming fan, now has the opportunity to take occasional plunges in his leisure moments. For a 50-foot pool, built at a cost of \$15,000 from funds collected by a number of newspapers, has just been completed in the White House. It is through this form of exercise that the president has gone a long way in overcoming the effects of illness he suffered some years



OLLOWING is a record of the activities of Congress during the week ending June 5.

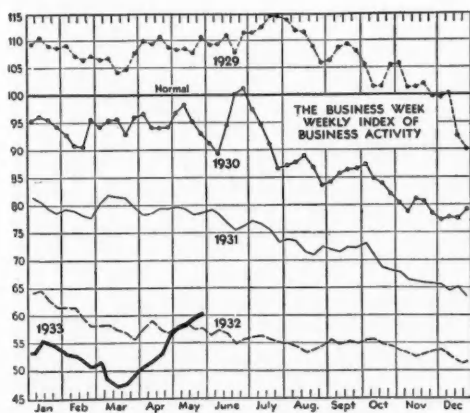
SENATE: Banking and Currency Committee continued inquiry of private bankers, questioning members of J. P. Morgan and Company and the Van Sweringen brothers, railroad magnates. Passed the president's \$2,000,000,000 home mortgage relief bill and sent the measure to conference. Finance Committee continued hearings on the industrial control-public works bill. Early in the week it struck out the section giving the president power to license industries, but later it reinserted it. The committee voted to finance the public works program by means of a tax on the stock of corporations, a tax on dividends to be collected at the source, a 1/2-cent-a-gallon tax on gasoline, and administrative changes in the income tax laws. Trimmed \$170,000,000 from the president's economy program by voting to limit the amount of veterans' compensation reductions to 25 per cent. Accepted House amendments to employment service bill. Voted authority to president to cancel air and ocean mail contracts and to fix compensation to companies holding such contracts.

HOUSE: Passed the president's railroad reorganization bill, providing for the appointment of a federal coordinator. Bill calling for debt relief to bankrupt cities approved by Judiciary Committee. Passed a bill providing for the establishment of a new employment system. Agreed to transfer electricity tax from consumers to producers.

National Recovery Act

The administration's program of industrial recovery received a temporary jolt last week—a jolt, however, from which it quickly recovered. The Senate Finance Committee took what many believed to be the heart out of the National Recovery Act (see page 1). By a vote of 12 to 7, this committee removed the House clause which would enable the federal government for a period of two years to license a member or members of any industry that refused to live up to the standards set by the majority within that industry. This action was taken by the Senate Finance Committee after officials of the National Manufacturers Association had appeared before the committee and argued at great length against the licensing plan. They contended that such a plan would give the government too much control over industry, that voluntary agreements among the industries would be better.

The administration, on the other hand, is firmly convinced that the licensing clause is absolutely needed in order that certain members of industries—members which might try to pay low wages and maintain long hours for their workers,—could be regulated by the federal government. President Roosevelt let it be known that he strongly objected to the Senate's action in weakening the National Recovery Act. This application of "White House" pressure resulted in a second vote by the Senate Finance Committee. A compromise was reached and the committee voted to restore the licensing clause, limiting its life to one year instead of two. The Senate as a whole was expected to approve the measure in a hurry, after which time it would go into joint conference of House and Senate members.



THE RECORD OF FIVE YEARS

The magazine, *Business Week*, prepares a chart each week, showing in the form of graphs, the state of business determined by car loadings, production figures and other business indices. The chart reproduced here shows these lines of business activity from January, 1929, to June, 1933. From the 1929 crash to this spring the line descended, each year's line being below that of the preceding year. This spring the 1933 line has crossed that of 1932, and is still ascending—a striking picture of improving business.

THE WEEK

Economy Program Opposed

The administration encountered another stumblingblock last week. When the Senate passed the Independent Offices Appropriation bill, it included \$666,000,000 for veterans' compensation. This amounts to \$170,000,000 more than the administration desires.

President Roosevelt was thoroughly aroused by the Senate action. He said if Congress insists upon adding \$170,000,000 to the bill for veterans' compensation it must levy new taxes for this amount in order not to unbalance the budget.

A real fight was expected to be waged over this issue, testing for the first time the administration's strength in overcoming stubborn opposition. The House, which had already passed the Independent Offices bill in the form desired by President Roosevelt, was swiftly changing to the Senate's position on this matter. Veterans and their friends from all over the country have been storming their congressmen with letters, urging them to vote against President Roosevelt on this issue. Whether the congressmen supporting the administration would be able to check the turning tide when the bill went into joint conference of House and Senate members, remained to be seen.

Congress Adjournment Delayed

In the light of the increasing opposition to the remaining sections of the administration's program, it is impossible to ascertain when Congress will adjourn. It is hoped, however, by President Roosevelt that his proposals will be adopted in full this week, so that he will be free to set to work the domestic machinery which has been built by this Congress. Also, the president is anxious that members of Congress depart for their homes soon so they may not embarrass our position at the World Economic Conference by bitter and irrational debating on the Senate and House floors.

Novel Hitlerite Plan

The plan of the Hitlerite government for reviving German industry and eliminating unemployment contains a novel feature. It provides for the making of loans amounting to \$275 to all newly married couples. These loans would be repaid without interest at the rate of one per cent each month. The only condition required is that the bride must have been employed for the preceding six months and that, when married, she will quit working permanently unless her husband's income drops below \$34.37 a month. It is hoped by the Nazi officials that this plan will encourage German women to return to home life and at the same time will provide many new jobs for unemployed men. Furthermore, all marriageable individuals who are single will be required to pay a special tax.

New Princeton Head

Dr. Harris Willis Dodds has been elected to the presidency of Princeton University. Although only a young man—43 years of age—Dr. Dodd has had wide experience, both in the strictly academic world and also in the practical field of politics. In 1922 he was sent by the United States government to Nicaragua to assist in the creation of an elective system for that Latin-American country. He also was commissioned to supervise the Tacna-Arica plebiscite, which was conducted for the purpose of deciding a South American boundary dispute in 1925. In the academic field his reputation is recent though brilliant. He has only held a full professorship at Princeton for five years. However, as head of the school of foreign relations, he has demonstrated a keen ability along with an unusual administrative capacity.

No Loans to Cities

President Roosevelt is opposed to loans by the Reconstruction Finance Corporation to cities in difficulty. He set forth his views

on this matter to a group of mayors who appealed to him for aid from the federal government. If the cities borrow from the Reconstruction Finance Corporation, President Roosevelt contends, city politics would come under control of the federal government. He believes this might lead to trouble. It is the president's opinion that the various states, not the federal government, should lend all necessary financial assistance to the cities within their borders.

Business Moving Forward

Secretary of Commerce Daniel C. Roper corresponded with twenty-four national trade associations, requesting them to comment in conservative terms upon employment, production, sales and prices in each of the industries which they represent. The replies from these associations were the most optimistic expressions on conditions in industry that have been received for many months. Not only do they indicate that business is decidedly on the upturn now, but unfilled orders in many industries look promising for a sustained improvement.

Howe in Trouble

The "chief" of White House secretaries, who has long been President Roosevelt's right-hand man, Colonel Louis Howe, became involved in an embarrassing transaction last week. He sanctioned the purchase from a private firm of 200,000 toilet kits at a price of \$1.40 each for the Civilian Conservation Corps. Officials of the army department immediately took issue with this purchase and declared that they could have obtained the same kits for at least \$100,000 less than the price paid to the private concern. Therefore, they are launching an attack upon Colonel Howe for giving his approval to the purchase of the kits without first getting in contact with the army department, which purchases goods at notoriously low prices because it buys in large quantities. Colonel Howe was called before a Senate Committee to explain his action in this matter.



LOUIS M. HOWE

Navy Construction Program

The navy construction program will benefit by the Industrial Public Works bill, according to Chairman Vinson of the House Naval Committee. He says that \$46,000,000 has been promised within 90 days after the bill becomes law. Enough more will be provided, Mr. Vinson declares, to finance 30 new ships for the navy department. These will include: 20 destroyers, 4 submarines, 2 aircraft carriers of 13,500 tons and 4 6-inch gun 10,000-ton cruisers. Mr. Vinson said that if an agreement is reached at the Geneva Arms Conference, the navy construction program will be halted at once.

The World Arena

Elaborate preparations were being made for the opening of the World Economic Conference last Monday. Delegates from 66 nations swarmed into London for the occasion. King George was expected to open the conference with an address to be broadcast around the globe. All in all it was certain to be a gala day for London. And many more such days are to follow. Social functions galore have been planned for the delegates attending the conference. An atmosphere of gayety, as well as gravity, will permeate the British capital for the next few months.

The conference can be compared to a great arena. The contestants are nationalism versus internationalism. The delegates must decide between the two. They must decide whether the nations shall continue to place economic barriers around their borders, compelling them to live off their own resources, or whether these barriers are to be torn down, fluctuating currencies made stable, and a free flow of

goods among the nations of the world restored. The drama promises to be spectacular.

More About the Corridor

Recent events have focused attention upon Danzig as a center of international intrigue and as a threat to the peace of Europe. The elections some time ago in this city, which is independent but under the supervision of the League of Nations, were won by the Nazis. The majority, however, was very small, and the Nazis are not in complete control. Plots are under way among the Germans to restore the



THE POLISH CORRIDOR

(An illustration from "The New International Year Book for 1932"—See page 5)

Corridor and Danzig to Germany. The Poles are watching anxiously, and some of them are demanding an increase of Polish military forces near the border. To complicate further the situation comes the report of plotting on the part of Poles and Germans whereby it is proposed that Poland give back the Corridor, or a large part of it, to Germany and that in return the Germans help the Poles to wrest from Russia the province of Ukraine. If the Poles could depend definitely upon French assistance they would probably insist upon keeping all the Corridor intact, and that is still the official position of the government. Many of the Polish leaders, however, fear that France might desert them in a crisis. The French acceptance of the Four Power Pact would look, they think, in that direction. So some of the Poles are disposed to come to terms with Germany if the Germans will give sufficiently desirable favors in return.

A Change of Mind

There will be no sweeping reorganization of governmental departments at the present time. So announced President Roosevelt last week. He said that the constantly changing situation made it unnecessary to put through the reorganization program in a rush, meaning, of course, that the recent upturn in business conditions placed the government's credit on a more solid basis.

The president made it clear, however, that he does not intend permanently to abandon the plan of governmental reorganization. But it is his opinion that the readjustment could be brought about much more smoothly when more prosperous times arrive.

Two More Repeal States

Illinois and Indiana have added their names to the rising list of states which have ratified the prohibition repeal amendment. In Illinois the electorate registered a four-to-one vote against prohibition, and in Indiana a two-to-one vote was cast against the eighteenth amendment. The action of these two states brings the total number to ratify the amendment to ten.

No More Gold for Debts

The president has signed the "gold clause" repeal bill. This bill, as was explained on this page last week, provides that all government and private debts shall henceforth be payable in legal tender (coins and currencies), rather than in gold. Also all debts outstanding at the present time come under the terms of the bill. The expected congressional fight over the "gold clause" repeal failed to materialize. It passed in both houses in record time.

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A PROBLEM FOR EDUCATORS

It is inevitable, in a time of crisis like the present when all of our institutions are under scrutiny, that education should be called into question. Many people not connected with the schools are inquiring whether our educational institutions are doing all that they might do to prepare young citizens for their responsibilities in our complex society. In some quarters there are demands for the training of leaders. Northwestern University is undertaking to contribute to that end. There is also a demand for a raising of the general level of competence among ordinary citizens. The New York *Herald-Tribune*, while supporting the call for leadership training, emphasizes the necessity for attention to the less gifted members of the community:

The announced search of Northwestern University for precocious children to be educated under university scholarships by special methods suited to their unusual precocity should emphasize once more what must be one item of any credo for the age of planned economy which now seems to be desired. All men may or may not be created free, for freedom is a matter of changing definition from age to age. But all men certainly are not created equal, and efforts to pretend that they are seems close to the root of present troubles with our educational system. The precocious or otherwise exceptionally able child undoubtedly is handicapped, as the authorities at Northwestern point out, by being forced into the same system as those of ordinary ability. That better opportunities should be provided for such unusual ability every one will agree. But this is not the whole of the problem of public education, nor the core of it. That is what to do about the dull.

Through one New York City classroom with which we happen to be acquainted there pass each year what presumably is an average stream of high school graduates. Whether tested by grades in school work, by so-called intelligence tests, by possession of special aptitudes or merely by the judgment of trained and experienced instructors, less than half of these would-be recipients of education are able to profit by the variety of this commodity which is dispensed. This does not mean in the least that the unprofiting 50 per cent are worthless. Most of them can be trained well and usefully in something requiring neither too much memory nor too much thought. They may become bright, useful citizens and happy ones, but they cannot be educated in the intellectual sense in which that term is understood in colleges and among the cultured.

Any educational system in a democracy owes a duty to this fraction no less than to the bright or super-bright. Is this duty being discharged? We think not, and the failure seems even more lamentable than failure to care properly for the precocious. After all, the precocious and super-able are few; the slow but competent are many. Among the benefits to be credited to the depression one of the largest, we suspect, is the general stock taking and heart searching now going on among educators, from kindergarten to graduate school. We respectfully urge these searchers and stock takers to write large in their agenda this problem of how best to aid this largest of all groups of students, those who are bewildered by thinking and ask merely to be trained.



"YOO HOO, GENEVA!"

—Kirby in N. Y. WORLD-TELEGRAM

Craftsmanship Honored

The Boston *Herald* calls attention to the unusual procedure which took place at the formal opening of the new Union Club building in New York City:

One notes with satisfaction the honor rendered to craftsmanship in the exercises a few days ago at the new building soon to be occupied by the Union Club of New York City. Speeches were made by representatives not only of the owners, the architects, and the contractors, but of the men who handled the tools in the actual construction. More than a score of artisans representing various crafts received gold buttons and certificates of craftsmanship.

More such ceremonies ought to be held. Centuries ago, the craftsman who wrought with hammer and chisel watched with pride the slow growth of a great structure on which he spent years of time. He was artist and artisan. He invested his own character in the building. He contributed skill, industry, reverence and love to the erection of an enduring monument in which future generations would find happiness. . . .

Why should not recognition be given formally, even in the age of the machine, when a building that once required a decade is put up in a twelvemonth, and a cathedral is completed in two or three generations instead of several centuries? The effect would be good upon the workers, the owners and the whole public. It would tend to restore pride in craftsmanship.

Nazi Victory

The Free City of Danzig, which was created out of German territory after the World War, has a population of over 400,000 people. Ninety-five per cent of the Danzigers are Germans, who, until recently, had not yielded to the urge of Hitlerism. A few days ago, however, the Nazis won a victory at the polls. It obtained a slight majority in the Volkstag (parliament), the members of which are elected every four years. Here is what the Cleveland *Plain Dealer* has to say about the results of the election:

By an unexpectedly narrow margin the Free City of Danzig votes the Nazis into power. Every forecast predicted a sweeping victory for the Hitler party, but the silent minority in Danzig was so nearly a majority that the popular vote was Hitlerite by less than 51 per cent. . . .

Chancellor Hitler is doubtless gratified by the Danzig vote, but he was well advised in cautioning the Danzigers against violence of any kind. The free city is a protégé of the League of Nations and any outrage would come at once to the League's attention. Moreover, Hitler, sobered by the responsibility of national leadership, has no desire for a clash with Poland.

The Nazis of Danzig are as strongly anti-Semitic in their platform as are the Nazis of Germany. Though many Jews have already departed from the territory of the free city it is highly unlikely that those who remain will be subjected to indignities or persecution. Again the protecting shadow of the League of Nations is the safeguard.

Impeachment Machinery Weak?

The *Rocky Mountain News*, published in Denver, voices the opinion held by many others that a change in federal impeachment machinery is desirable:

The people are indebted to the House of Representatives for bringing Judge Louderback of San Francisco to trial and thereby disclosing the weakness of the American impeachment machinery. This trial, the first of its kind in twenty years, proves that we must simplify the present method of ridding the bench of unfit federal judges.

The Louderback trial took nine days of the Senate's time. It cost an estimated \$50,000. A trainload of 43 witnesses were brought from San Francisco. Often only a handful of senators listened to the testimony.

Representative Hatton Summers of Texas, chief "prosecutor," proposes that this clumsy, costly procedure be modernized. He suggests that Congress adopt rules under which the Senate can send a committee of senators to the locality affected and there sit as a quasi-judicial body in trial of an accused judge. On this committee's report, supplemented by direct testimony if needed, the Senate can act.

Fifth Cousins

An interesting comparison has been made by the San Francisco *Chronicle* relative to the presidential policies of Theodore Roosevelt and those of Franklin D. Roosevelt during the short time he has held office:

By a curious chance of history the name Roosevelt will be associated with the beginning and end of the era of governmental antagonism to trusts. Theodore Roosevelt led the movement which put the full federal power behind the effort to maintain unrestricted competition in industry and transportation. Under the slogan, "Bust the trusts," trade agreements became anathema, railroad mergers the mark of the beast. . . .

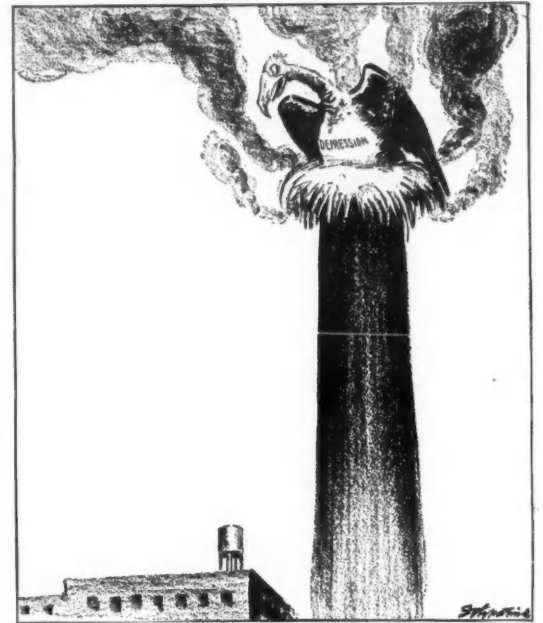
It is twenty-five years since Theodore Roosevelt left the White House. Now another Roosevelt in that exalted place of power is employing the magic of his name and his own popularity to further a legislative program in which combination and the elimination of destructive competition are the keystones of economic stability. . . .

But times, economic conditions and public opinion have changed between the Roosevelt administration which won popular adulation by busting trusts and the Roosevelt administration which is winning public approval by inviting and even compelling the formation of trusts.

Question of War Pensions

There has been much fear on the part of many that the drastic reductions in war pensions might result in grave injustices to many disabled veterans who are justly entitled to and who are in dire need of compensation. Both President Roosevelt and Postmaster General James A. Farley, however, have recently assured the country that such will not be the case. The Fort Wayne *News-Sentinel* comments as follows:

The president commendably accepts his responsibility to see that men who actually made severe sacrifices and incurred dis-



PUTTING THE HEAT ON

—Fitzpatrick in St. Louis POST-DISPATCH

abilities in actual war service do not suffer in consequence of the economy bill. No decent citizen who supported the campaign against the ugly pension scandal has any desire to see an even worse scandal develop on the side of niggardly disregard of national responsibility to men who really deserve government assistance.

Perfect Record

Many schools throughout the country have been forced to close their doors early this year because of lack of funds. The Springfield *Daily Republican* is proud of Massachusetts' record in that respect:

The survey of the 355 cities and towns by the state department of education shows happily that while school appropriations have been severely reduced, no child has been denied educational opportunities in Massachusetts. An excellent record that is not equalled in all the states of the Union.

Self-Sufficiency

Can a nation, from an economic standpoint, carry on independently of all other nations? There is a growing feeling in the United States that it is not essential for the World Economic Conference to succeed, because, if necessary, we could completely isolate ourselves from the rest of the world without many ill effects. The Wichita *Eagle* editorially expresses itself on this vital question:

Virtually every area is given at times to boasting about its self-sufficiency. There is no such thing in modern civilization. And if any man thinks he wants self-sufficiency, he might better go to history, read of the time when peoples were perforce self-sufficient and compare their standards of living with our own.

America theoretically is 90 per cent self-sufficient. But the figure is misleading. We can depend upon our own effort for so many things like most farm products and many items of industrial output. But in a lot of basic products we have less than enough and in some basic products—rubber, coffee, tea, spices, certain chemicals and certain metals among them—we are entirely deficient.

If self-sufficiency ever eventuates we will be dealing with an industrial age that is pretty wobbly and looking back upon a standard of living that then will be remembered as a lovely lost dream.

The little present must not be allowed wholly to elbow the great past out of view. —Andrew Lang

This region's farmers would like to see President Roosevelt try his hand as rain dictator. —San Antonio EXPRESS

Lima Beane says the march of prosperity will not get far unless wages hayfoot-strawfoot with the cost of living. —Toledo BLADE

This thing of changing the names of towns goes on. It is a matter of minutes, our forecast is, until the movement crystallizes to call it New Deal, N. J. —F. P. A. in New York HERALD-TRIBUNE

Humility is the root, mother, nurse, foundation and bond of all virtue. —Chrysostom

"When you denounce the conduct of others," said Hi Ho, the sage of Chinatown, "can you be sure that you would not have imitated it had the temptation of opportunity been your own." —Washington STAR

Making out an income tax report this year will be almost a pleasure. —New York HERALD-TRIBUNE

Not to know the events which happened before one was born, that is to remain always a boy. —Cicero

Tugwell Gives Views on Planned Economy

Member of Brain Trust Outlines Part Government Should Play in Regulating Industry

At a time when the government is embarking on experimental projects of an unprecedented nature in order to reshape the economic life of the nation, a book such as Rexford G. Tugwell's "The Industrial Discipline and the Governmental Arts" (New York: Columbia University Press. \$2.50) is particularly valuable in affording an understanding of the philosophy underlying the administration's program. And few individuals are in a better position than Mr. Tugwell to outline a subject such as this for, in addition to being an economist of wide reputation, he is one of the "high ups" in the brain trust which has been so directly responsible for the recovery program of President Roosevelt. Not that Mr. Tugwell's program is identical with that of the administration. But there is a striking resemblance between the aims and philosophies of the two.

Mr. Tugwell's book belongs to the ever increasing assortment of treatises on economic planning. He feels, as do George Soule, Stuart Chase, Charles A. Beard and other planners, that our salvation lies in conscientious planning and regimentation of the industrial forces of the nation. He believes that in this and in this alone will it be possible for man to enjoy the leisurely life which has been made physically possible as a result of technological advancement of the last half century or so.

Without going into the details of Professor Tugwell's panacea, suffice it to say that it is one that merits the serious consideration of everyone who would keep abreast of the rapidly shifting economic currents. True, it is a far cry from the traditional rugged individualism of which we as Americans have so lustily boasted and it calls for a complete scrapping of many of our deep-seated beliefs with regard to governmental duty and responsibility. But if the technological processes are not to be arrested, as it appears they will not be, the duty of government, as a representative of the collective will, is so to organize the social structure of the nation as to meet the requirements of changing economic conditions.

RECORD OF 1932

"The New International Year Book for 1932" (New York: Funk and Wagnalls. \$6.50) is out and it constitutes an admirable record of the year. Outstanding events are considered in alphabetical order. Men

and women throughout the world who figured in the year's history also appear alphabetically. There is a well organized history of the year in the case of each nation and each state of the Union. These Year Books constitute an indispensable source of information for those who are interested in the immediate background of present-day affairs.

TWO FOREIGN NOVELS

Two foreign novels of considerable importance—one French and the other German—have recently been made available in translation to readers in this country. The French novel is "Men of Good Will" (New York: Alfred A. Knopf. \$2.50) by Jules Romains (jew ro-man'—n scarcely sounded) and the German "Little Man, What Now?" (New York: Simon and Schuster. \$2.50) by Hans Fallada. Both of these works are significant contributions to the field of fiction and will be read with interest by all students of the contemporary novel.

Mr. Fallada's work must of necessity be classed with the literature of the depression. It is not a dissertation on economics, but the story of two people who are caught in the wheels of the crisis. Like Robert Nathan's "One More Spring" and Catherine Brody's "Nobody Starves"—two fairly recent American novels of this type—Mr. Fallada's novel weaves an interesting story around the lives of simple folk whose dreams and aspirations are frustrated by the economic forces over which they have no control.

The hero of this story, Johannes Pinneberg (yo-hahn'naze peen'ne-baig), belongs to the white collar class of Germany. He is pushed from one job to another and finally lands with millions of others of his class, completely out of work. And like so many others, he has a wife and baby to care for. The entire novel is concerned with the vicissitudes of life of Johannes, Bunny, his wife, and the baby. But in spite of the banality and unpleasantness of the subject, the author makes of it a true piece of art. Unlike Miss Brody, this German writer sandwiches in enough humor and lightness to counteract the sadness and morbidity of the main theme. Few, if any, recent works paint a truer and more readable picture of present-day Germany than this novel.

THE FRENCH NOVEL

M. Romains' work is of an entirely different nature. Whereas the German author has painted a picture of conditions which are likely to be only temporary in nature, this new French writer has begun a more pretentious opus, and undertakes to make a broad sweep of contemporary Paris. "Men of Good Will" is the first volume of what will probably turn out to

be a human comedy of the twentieth century. In this respect, his work must be compared with the famous works of this kind of the last century—the *Comédie Humaine* of Balzac, the *Rougon-Macquart* (roo-gohn—n scarcely pronounced, mark—a as in) series of Zola, and the various prose works of Victor Hugo.

When one finishes these 450 pages or so, he has about as good a picture of the Paris of today as has recently been given—certainly a Paris which is unknown to most foreigners even though they may have spent years there. And in addition, there is a plot of such interest and intensity that it is hard to drop the book once one has taken it up. Moreover, the author, with characteristic French subtlety and perspicacity, delves into the psychological make-up of his principal actors. Thus, there is a combination of elements making for an unusual piece of fiction.

It would, of course, be foolish to indulge in prophecy as to the future position Jules Romains will occupy in the literary world. His subsequent works may fall short of the expectations one may logically expect from the author of "Men of Good Will." But at any rate, he is a writer who will bear careful watching.

INDIAN LIFE

Chief Standing Bear of the Lakota tribe has written a remarkable book, "Land of the Spotted Eagle" (Boston: Houghton, Mifflin. \$3.00). It is autobiographical in nature. Chief Standing Bear tells of his experiences and his observations and he gives an excellent picture of life among the Lakotas, of the customs and beliefs and daily occupations. One gets the impression here of a much higher degree of civilization than the Indians are usually given credit for. The style is simple, clear and attractive. This is one of the very best books available on Indian life and institutions.

"... During much of our history Congress has shown decidedly more strength than the president. The alteration is seldom accidental, but follows certain general laws. During periods of quiet pros-



CHIEF STANDING BEAR

A photograph of the author of "Land of the Spotted Eagle"

perity, or in times of national recuperation after great effort, Congress tends to assume the leadership. During wars, economic crises and periods of sharp social unrest, the executive is more likely to lead and, indeed, usually has to whether he likes it or not." So writes Allan Nevins, recent winner of the Pulitzer prize for biography, in the *New York Times* magazine. Professor Nevins analyzes the periods of our history in which broad executive power, such as that now exercised by President Roosevelt, has been conferred upon the president. The four presidents who, before Mr. Roosevelt, enjoyed similar power are, according to Mr. Nevins, Jackson, Lincoln, Theodore Roosevelt and Wilson.

FROM THE CURRENT MAGAZINES

"LIQUOR: NINE VARIETIES OF CANADIAN CONTROL" by Whiting Williams, *Survey*, June.—Americans who are casting about for a means of controlling the liquor traffic in case of prohibition repeal are inquiring anxiously about the Canadian plan. But there is no Canadian plan, but rather nine plans, a different one for each province. In the province of Quebec beer is sold in cafés, restaurants, hotels, taverns and grocery stores without limit, and hard liquor may be had in any quantity in provincial liquor stores, provided one takes away but one bottle at a time. In Ontario, on the other hand, liquor of any kind may be purchased only at the provincial stores and it cannot be consumed on the premises. Heavy taxes are levied upon liquor, and, to avoid taxation, there is much bootlegging. On the whole, Canadian experience does not offer very much help to Americans in the task of formulating a liquor control program.

"THE AMERICAN SCENE—NEW WASHINGTON" by Harold J. Laski, *Manchester Guardian*, May 26.—President Roosevelt is still very popular, but his continued success will depend upon an improvement of the business situation. There is a tendency throughout the country to accept the administration's liberalism, but this acceptance is not based upon conviction but upon a disposition to take anything which promises immediate results. Liberalism is not organized in America, whereas the conservative business interests are. Successful conservative opposition to the president may therefore be expected if rapid recovery does not come.

"CHINA SUBMITS TO CHAOS" by Ralph Townsend, *Current History*, June.—Bad

government and disorder are accepted as permanent conditions in China. "I cannot recall ever having seen the average Chinese display impatience over the existing state of affairs." Most of the people are fatalistic, apathetic. The educated Chinese take little part in efforts at reformation. "It is a sad fact that almost the only Chinese who are really doing anything in China are those doing harm."

"THE COMING FIGHT OVER NEWS" by Allen Raymond, *New Outlook*, June.—A determined conflict is on between the radio and the newspapers. The radio is encroaching upon the prerogatives of the press in the dissemination of news. The Associated Press, fighting back, has voted not to supply the broadcasting stations with the news which it has gathered. The United Press and the International News Service may follow. The broadcasting companies will probably be driven eventually to create and maintain their own news services. Radio and the newspapers are also competing for advertising with an increasing share of national advertising going to radio.

"LAND HO!" by Arthur Pound, *Atlantic*, June.—The drift from the country to the city has been checked and the present movement runs the other way, the farm population standing at a higher figure in 1933 than ever before. The chance of the newcomers on the farms is not great if they undertake farming on a large scale, but hundreds of thousands of families may go successfully from the city and may settle upon small tracts, raising part of their food while depending for a part of their living upon other employments.



A 1932 HIGHLIGHT—THE IMPERIAL ECONOMIC CONFERENCE AT OTTAWA
(Illustration from "The New International Year Book for 1932")



SINCE the burning issue in European politics today is the question of treaty revision, it is important that every student of current affairs should become familiar with the concrete points of difference which divide the European nations and which constitute a serious menace to the peace and stability of the world. While it is generally recognized by most people in this country that the defeated powers are dissatisfied with the state of affairs brought about by the peace treaties, and are demanding a more equitable settlement at the present time, there is a certain amount of confusion as to the concrete wishes and demands of the nations demanding revision. It is our purpose this week, without delving into the pros and cons of the problem, to outline precisely what revisions are demanded by the various nations and why these demands are constantly refused.

With the exception of Italy, the nations seeking treaty revision are the powers which were defeated in the war—Germany, Austria, Hungary and Bulgaria. These countries want redress for what they consider to be a gross injustice. They feel that the terms imposed by the four treaties signed after the Paris conferences were so harsh as to be unacceptable to any self-respecting and independent people. And until certain adjustments have been made, they declare that peace and prosperity for Europe are impossible. In the case of Italy, demands for revision spring from another source. The Italians feel that the rewards they received at Paris were entirely incommensurate with the sacrifices they made during the war. They are convinced that they did not receive a fair deal, and are now seeking to obtain what was denied them fourteen years ago.

It must be admitted that the success with which the defeated powers met in abolishing reparations payments and in securing concessions on the question of armaments—two important features of the post-war treaties—has only encouraged them with regard to the more fundamental issue, revision of the territorial adjustments. It is these demands for territorial revision that now command our attention because they constitute the gravest danger to future peace.

Germany's principal grievance in this respect is the Polish Corridor. The transfer of this strip of land, more than the rest of the 27,000 square miles taken from Germany by the Treaty of Versailles, rankles in the heart of every German. Germany affirms categorically that the Corridor must be returned if Europe is to know peace. To most Germans, the optical argument is more potent than all others in establishing Germany's claim to the disputed region. They see their country divided in two by a foreign power. They resent the reshuffling of national boundaries in such a way as to leave East Prussia separated from the rest of Germany.

The peculiar status of Danzig, at the juncture of the Vistula and the Baltic Sea, only aggravates matters. Although preponderantly German in

population, this city does not form a part of Germany. Theoretically, it is under the jurisdiction of the League of Nations. But the Germans feel that the Poles exercise an undue amount of control over the affairs of the free city. The Danzigers, as well as the Germans, insist that the city should once more be placed within the jurisdiction of the Reich. At the recent elections held in Danzig, the Hitlerite party practically trebled its strength in the parliament, indicating the intensity of feeling with regard to union with Germany. The bitter Polish-German enmity is repeatedly dramatized in Danzig by open clashes between the two elements of the population.

Furthermore, there is the question of Upper Silesia, a part of which belongs to Germany and a part to Poland. This was formerly one of the richest industrial sections of Germany. At Paris, the French wanted to give the entire section to the resurrected Poland in order to weaken Germany, but the British insisted that a plebiscite be taken. The plebiscite was duly held in 1921, the result showing that a majority of the inhabitants were in favor of union with Germany rather than Poland. But instead of uniting the whole of Upper Silesia with Germany, the arbitrators divided the section between the two countries, Germany receiving most of the territory, but Poland receiving the part with most of the mineral and industrial resources.

The position of Austria with regard to treaty revision has altered somewhat during the last few months. Prior to the ascendancy of Hitler to power in Germany, most of the Austrians appeared to favor an abrogation of the provisions of the Treaty of St. Germain-en-Laye (san-jair-man' ahn lay—n scarcely pronounced)—the settlement between Austria and the allies—which prohibit the union of Austria and Germany. At the present time, however, more than half the people of Austria appear opposed to union with Nazi Germany. The Austrian Fascists are struggling to obtain power in Austria, but Chancellor Dollfuss has succeeded in holding the upper hand. Nevertheless, to most Austrians, as to most Germans, the loss of

territory after the war was a cruel injustice, and the reduction of the country from one of the most powerful nations on earth to a bankrupt, prostrate state of only 6,000,000, stirs deep feelings of resentment.

The movement for revision in Hungary has grown in intensity each year since the imposition of what Hungarians call "The crime of Trianon." By the Treaty of Trianon (tree-a-non—o as in go, n scarcely pronounced), their national territory was reduced from 125,430 to 35,901 square miles. The loss of population was relatively even greater. By the shifting of boundary lines, the creation of new states, hundreds of thousands of Hungarians were placed under foreign rule. Consequently, Hungarians unite with a single voice in demanding the restoration of the provinces which were taken from them after the war. They insist that their fellow countrymen now living in Yugoslavia, Rumania and Czechoslovakia be once more united under the government at Budapest.

A similar situation has given rise to the revision movement in Bulgaria. Sections of Macedonia and Thrace formerly belonging to Bulgaria were, by the Treaty of Neuilly (nu-yee—u as in burn), given to Yugoslavia and Greece respectively. By the transfer of Western Thrace, Bulgaria was deprived of an outlet to the Aegean which has been a source of considerable dissatisfaction and friction.

With the exception of Germany's, none of these demands for revision is more important than Italy's insistence upon adjustment of the Paris settlement. The particularly sore spot is the Dalmatian coast, now under the jurisdiction of Yugoslavia. It has long been Italy's desire and dream to control the entire Adriatic region. At the peace conference, she felt that the Dalmatian coast should be given to her, but her demands were ignored. And that section of the coast which now belongs to Italy came to her not as a result of treaty but through the efforts of one of her own citizens, the poet-novelist and aviator, Gabriele D'Annunzio (gah-bree-aylay dah-noon'tseeo), who with a group of Italian patriots took Fiume (few-may) by force in 1919. The Dalmatian coast is more suitable for defense purposes than the Italian coast of the Adriatic and con-

sequently Italy feels that her mastery of the sea is impossible without possession of the opposite coast line.

There is the further fact that Italy needs more territory to take care of her rapidly increasing population. With an annual increase of nearly half a million, Italy feels that her well-being depends upon the possession of regions which could afford her the raw materials and foodstuffs which she so sadly lacks. She naturally looks across the Adriatic with longing eyes because the Balkan countries are economically complementary to Italy. They produce many of the raw materials which she needs, and require many of the industrial goods which she produces. There is a great deal of rivalry between Italy and France over domination and control of the Balkan states, the former constantly striving to get the upper hand, and the latter determined to retain the control she has.

In the broader sense, the whole question of treaty revision, insofar as it concerns the defeated nations, is directly tied up with the issue of war responsibility. German statesmen have endeavored since the close of the war to delete from the Versailles Treaty the section which placed sole responsibility for the damage caused by the 1914-1918 conflict upon the shoulders of Germany and her allies. That section of the treaty, Article 231, reads as follows:

The Allied and Associated Governments affirm and Germany accepts the responsibility of Germany and her allies for causing all the loss and damage to which the Allied and Associated Governments and their nationals have been subjected as a consequence of the war imposed upon them by the aggression of Germany and her allies.

The other defeated powers were obliged similarly to acknowledge their guilt in the treaties which they signed. So long as those nations bear the stigma of war guilt and responsibility they can entertain little hope for territorial revision because that is the principal bulwark upon which justification for the harsh settlement of the war hinges.

Since the close of the war, France's foreign policy has had one primary objective, and that has been to prevent any of the revisions which we have cited. In order to guarantee or freeze the national boundaries as they were laid down at Paris, France has built up a structure of alliances with the nations whose aims are identical with her own. She has concluded pacts with Poland and with the members of the Little Entente—Czechoslovakia, Rumania and Yugoslavia—thus encircling the nations demanding revision as best she could. The

status quo nations feel that once a single territorial revision has been made, the whole post-war structure will tumble. And to the Succession states, this would mean a danger to their existence as national entities. As the revision movement has gained momentum during recent months, these nations have done everything possible to solidify their position. Only this spring the members of the Little Entente signed a new treaty knitting more closely the ties which bind them together in order that they may stand firmly together against any attempt which may be made to alter their present territorial status.



—Drawn for THE AMERICAN OBSERVER
EUROPE BEFORE AND AFTER THE WAR

Japan and China Sign Armistice to End Fighting in North China

(Concluded from page 1)

Japan decided to continue the application of military pressure against China as a means of bringing her to terms. All along Japan has insisted that her dispute with China must be settled by direct negotiations without interference from the League of Nations or from any other third party. To this, China and the League have both objected. But Japan, undismayed by Chinese protests and League resolutions, has pressed forward, bent on persuading China that she would have far more to gain by yielding to the Japanese demand for direct negotiations than by depending upon protective measures from the League. If China now accedes to this stipulation, it will mean that the terms of the settlement will be dictated by Japan. China, standing alone, will be too weak to oppose her enemy successfully.

Internal Troubles

China's course of action in the near future is doubtful. The government at Nanking is facing strenuous difficulties, not only from the necessity of deciding what to do about Japan, but also from a serious threat of renewed civil war. Factions opposed to the government are beginning to make their influence felt, and there is the distinct possibility that China will again be torn by internal strife.

Opposition to the Nanking government, which is dominated by Marshal Chiang Kai-shek (chahng guy-shek—e as in net), comes from two main sources said to be working together. The one is the government which has been set up in Canton, and the other the forces rallied about General Feng Yu-hsiang (fung yeu-she-ang'), the "Christian General," military governor of Honan and Shensi provinces and rival of Chiang Kai-shek for power. Both the Canton government and General Feng accuse the Nanking government of weakness and of unwillingness to combat Japan. The charge is even made that Chiang Kai-shek has a secret alliance with Tokyo under the terms of which he stands ready to yield territory to Japan in return for assistance against the Communists to the south. It is impossible to say whether General Chiang has been conniving with the Japanese, and is now preparing to give them everything they wish, but there is no doubt that there has been practically no resistance to Japan's advance in China. This may have been due to the overwhelming superiority of Japan's fighting equipment, but there has

also been a marked indisposition on the part of the Nanking authorities to fight. In fact, throughout the entire history of the Chinese-Japanese hostilities, the only really stiff opposition offered to the Japanese was at Shanghai and in this case the Chinese troops came from Canton.

When he heard of the armistice, General Feng sent out a telegram calling for volunteers to join him in a campaign to drive out the Japanese in defiance of the government's truce. The general may have some difficulty in securing this support, for he is known to be sadly lacking in funds, and money is the Chinese soldier's greatest incentive to joining an army. There is no money to be had from Canton, and little to be found in Feng's own district. There are some rumors that he is drawing support from Moscow and that the Soviet government is trying in this way to undermine Japan's successes in China. Apparently, however, this is nothing more than a rumor, as Russia does not seem anxious to become involved with Japan. There is evidence, on the contrary, that relations between Japan and Russia are growing better. The Soviet government has agreed to negotiate for the sale of its share of the Chinese-Eastern Railway to Manchukuo. The road has long been one of Russia's main interests in Manchuria, and to sell it to Manchukuo would be to remove one of the greatest dangers of conflict between Russia and Japan.

Thus rests the situation in the Far East at the present time. For the moment hostilities are at a standstill, but it seems likely that Japan will have to take some action against General Feng who is reported to have rallied 100,000 men about him. The nature of his equipment is unknown. It does not appear that there will be further fighting any time soon between the Japanese and General Chiang's forces. It is more probable that the truce will lead to negotiations which will result in Japan's consolidating her position in North China.

The League

In all that is going on, nothing is heard about the League of Nations. Attempts at international conciliation are virtually at a standstill. The League has turned the affair over to a committee of twenty-one nations, and stands by its report condemning Japan. The impression is gained that the League has adopted a policy of marking time. It plans to wait out Japan in

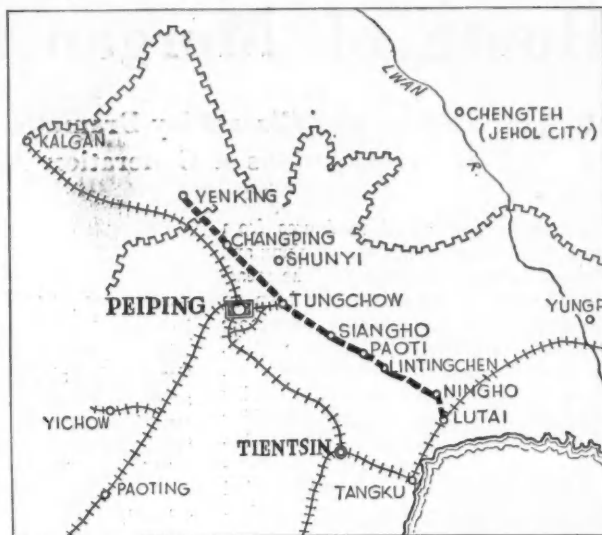
the hope that conditions in the country will result in a downfall of the government, and a reversal of policy.

The economic situation in Japan shows signs of becoming acute. For a time after the Manchurian campaign was begun, there was a superficial boom, brought on by war activities and contributed to by the subsequent decline of the yen, which has a normal par value of 49.85 cents but is now quoted at about 25 cents. The effect of this dual stimulus, however, is beginning to wear off and there are prospects of exceedingly hard times for the Japanese. The Manchurian venture, not counting additional army and navy appropriations, has cost more than 600,000,000 yen. The national debt has mounted to 10,000,000,000 yen, a huge sum for a nation like Japan. Last March the Japanese parliament approved a budget of 2,239,000 yen, the largest in the nation's history. Government revenues will be insufficient to balance this budget and a deficit of perhaps a billion yen is expected. The government hopes to tide over the crisis by borrowing rather than by increasing taxes, for it hesitates to make itself more unpopular with the Japanese farmer and worker by following the latter course.

These conditions, combined with a continued slackening in industry, may force a change in government. There have for weeks been rumors that the cabinet of Premier Makoto Saito (ma-ko-to—a as in art—o as in go; say-toe) was about to resign, but it continues to hold on. However, even should the cabinet resign, it seems likely that the new one chosen would keep to the same general foreign policy. The government is dominated at present by the military element, and a cabinet displeasing to it could hardly be chosen. There is no prospect at present for the return of a liberal, coöperative government which would be inclined to listen to the advice of the League of Nations and offer concessions with regard to Manchuria.

United States

Meanwhile, the United States continues to stand aside apparently determined to have as little as possible to do with the Far Eastern conflict. President Roosevelt in his recent non-aggression proposal may be interpreted as having looked toward Japan when he said that any nation refusing to coöperate for peace would be charged with responsibility for failure of the disarmament and economic conferences. It is apparent, however, that the president intended this statement primarily for Germany although he doubtless thought of Japan. The Japanese government has replied that it accepts President Roosevelt's peace project "in principle" which is the diplomatic way of saying that it will not do at all. Japan does not consider that the president's suggestion to charge with aggression any nation sending armed forces across its borders, should apply to her affair with China, which, she deems, must be considered in a different light. This has been Japan's consistent argument with regard to Manchu-



—From New York Herald-Tribune
AREA OF CHINESE JAPANESE ARMISTICE

The dotted line is to be the northern limit for Chinese troops. The zone between this line and the Great Wall is to be demilitarized.

ria and there is no evidence that she can be shaken from it. She is determined to gain every point desired in China without concern for any representations made by the Western World.

MORGAN HEARING

(Concluded from page 8)

appeared as if in answer to his prayer. The hearing itself resembles a Chinese theater, where the play runs on for hours in a monotonous, meaningless sing-song. The crowds come and go, listen a while, gaze at the golden figures and then depart. The testimony of stock cut-ins, mergers, corporate control, and other complicated devices of "the street," can't mean much to them, but still they come. Women bring their knitting, and some carry their babies. Some tote their lunches for fear they will lose their seats if they leave the chamber for the noonday recess.

Mr. Morgan just cannot understand why they hang around. When he was told that about half are professional hearing-goers, attending every investigation as some people attend every neighborhood motion picture, he gasped. A shy and rather humble person himself, he could not understand why people stand in line for hours, and squeeze like sardines into a stuffy chamber—just to see John Pierpont Morgan. Which is a rather likeable trait in the financial wizard of America!

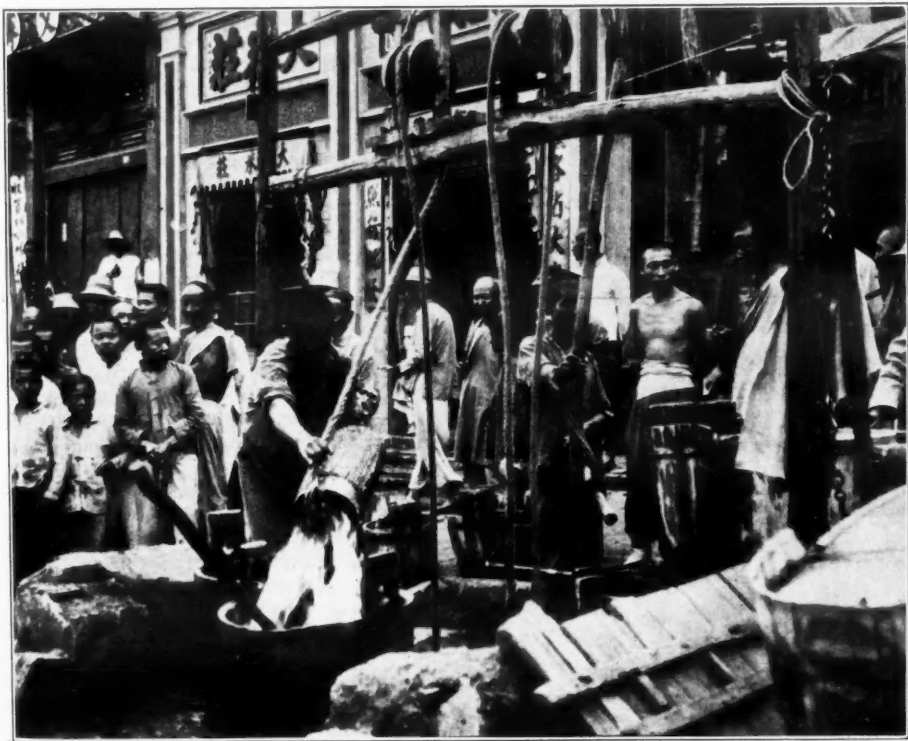
GERMANY YIELDS

Germany has yielded to the League of Nations relative to a minority dispute in Upper Silesia. A few weeks ago a report was submitted to the League stating that the Hitlerite government had enacted laws in Upper Silesia which discriminated against and imposed hardships upon the Polish Jews in that territory. Upper Silesia contains a great number of Poles, many of whom are Jews. Germany is bound by certain treaties to protect the Polish minority in that region. The League of Nations has the authority to intervene when these treaty pledges are not fulfilled.

When the recent report against Germany was first submitted to the League, Germany protested. But last week, by abstaining from voting, Germany gave her consent to the League's adoption of the report and moreover the Hitler régime promised to nullify the discriminatory laws in Upper Silesia.

ATTEMPTED ASSASSINATION

The former premier of Greece, M. Venizelos (ven-i-zay'los), barely escaped death at the hands of an assassin a few days ago. Four bullets whizzed by him, but they struck his wife instead, seriously wounding her. She is expected to recover, however. M. Venizelos has long been considered one of the leading statesmen of Europe. He has been premier of Greece seven times.



—By Burton Holmes from Ewing Galloway

CHINA'S MASSES

A throng around a public water well in Peiping. The inhabitants get most of their water from street wells like this.

House of Morgan Comes Before Senate Committee

Morgan, Pecora and Glass Play Dramatic Roles in Sessions of Dramatic Importance. Hearing Recalls Memories of Investigations a Generation Ago and May Mark Milestone in History of American Finance.

By Ray Tucker

The procession of golden figures from Wall Street before the Senate Banking and Currency Committee continues. The greatest financiers of the world have been on the witness stand, and there are many more to come. Such financial chieftains as J. P. Morgan, Thomas W. Lamont, Otto H. Kahn and George Whitney—the "coming man" of Wall Street—have been telling secrets of high finance never revealed before.



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J. P. MORGAN

It is the greatest event of its kind since the investigation just twenty years ago, and even that exposé of the so-called "money trust" did not rival this inquiry. Schoolbooks of the future may write of the 1933 investigation as a milestone in the history of American finance.

These financial leaders are painting a picture of how great corporations or countries get money to carry on their business and to finance wars. They are telling how the teachers, the butchers, the bakers and candlestick makers of America buy bonds and securities to finance peace- and war-time undertakings. The men appearing before the Senate committee act as agents in distributing bonds and securities to buyers throughout the United States. They also own great private banks handling billions of dollars left with them to invest. Through their control of money and credit, and their ownership of stocks and bonds, they exercise great influence in every field of American life. They own or control telephone and telegraph lines, radio and shipping companies, railroads, street railways, public utility chains, dry goods stores, food stores, aviation units, banks and investment houses. It is estimated that the House of Morgan alone controls an empire of banks and corporations with assets totaling \$53,000,000,000—or more than twice what Uncle Sam owes altogether. The famous Croesus and Midas put together were paupers by comparison with Mr. Morgan and his eighteen partners.

Despite this vast power, which neither Caesar nor Napoleon dreamed of exercising in their best days, J. P. Morgan & Company and many other private banks are responsible to nobody but themselves. They make no reports to the federal or state governments because they are "private" banks. Unlike ordinary commercial banks—where you and I keep our spare change—they are not examined by federal or state examiners. Uncle Sam and the state governments are powerless to see whether they invest our money wisely, or whether the bonds and stocks they distribute to us are worth buying. That is the reason for this investigation—to find out, first, whether these great "private" banks should be regulated or restricted by the federal or state governments, and to find out whether there is some way to frame a law which will bring them under more strict supervision and control.

Sensations Stir the Capital

Sensations tumbled out almost as soon as Ferdinand Pecora, New York lawyer acting as counsel for the Senate Committee, called J. P. Morgan to the witness chair. Mr. Pecora brought out that these nineteen partners, supposedly the wealthiest men in the world, had paid only \$48,000 income taxes in 1930, nothing in 1931 and nothing in 1932. It was all perfectly legal, but it shocked Congress and the

people. Mr. Morgan and his associates had committed no crime; they had simply taken advantage of loopholes in the law. Congress has already moved to close these avenues of escape, and to make sure that men like Mr. Morgan and his partners "come across" the next time.

This sensation had not died down when even more amazing revelations were developed. It was shown that the Morgan firm had permitted some of the country's most prominent people to buy stock at bargain-counter rates—at figures lower than you and I could buy them. Although there was nothing illegal in this operation, it raised the question of whether the Morgans gave these favors in order to retain the friendship of officials, politicians and business men who were in a position to "reciprocate." Mr. Morgan denies there was any ulterior or sinister motive behind these "favors." He insists that it was one form of raising money to finance corporations which had asked his aid in disposing of their securities.

In any event, these disclosures gave the Capital and the country its most exciting moments since the declaration of war on Germany, or possibly the Teapot Dome scandal ten years ago.

Second Investigation of Morgans

This is the second investigation of the House of Morgan in twenty years. In 1912 a man named Charles Lindbergh, a congressman from Minnesota, attacked the so-called "money trust" almost every day in the House. He introduced a resolution for investigation, and it was finally adopted, although a Democrat, Arsene Pujo, got the credit for it. The late J. P. Morgan, father of the present Morgan, was one of the chief witnesses. He admitted that no undertaking in this country could succeed unless he and the late George F. Baker, then head of the First National Bank of New York, agreed to finance it.

The committee found that a "money trust" did exist, that it controlled American finance—banks, investment houses and corporations—and Congress passed laws to

remedy the situation. One created the Federal Reserve System, which was supposed to free national banks from the grip of the Morgans and Bakers, and to make them dependent upon the government's aid. It was one of the most important pieces of peace-time legislation ever adopted, but changed conditions of finance and industry have made it unable to function as it was intended to. It was supposed to prevent booms like we had a few years ago, and depressions like the one from which we are suffering now. It is hoped that lessons learned in the present inquiry can be utilized to make the Federal Reserve System a more effective banking agency than it has been for the last ten years.

It should be noted that the late Congressman Lindbergh was the father of the aviator. What the father would say if he were alive today, and knew that his son had obtained stock from the House of Morgan at cut rates, is a question.

What Is Morgan Like?

J. P. Morgan's appearance at the Capital drew thousands to the great marble room where the hearings are held. To most people he was a legendary figure, a mythical person out of a fairy tale. They had heard of him, but they had never seen him. For a very good reason. Since his birth he has been sheltered by nursemaids, tutors, bodyguards, lawyers, and bulwarked by billions. He was supposed to resent photographs and publicity. He was known as the man who never gave an interview. He hated crowds and noise. Although the world's greatest financier by reputation, he is actually shy. So the crowds poured out to look at him as they would at a strange animal in the zoo. Two bodyguards attended him wherever he went.

Mr. Morgan is a bulky figure with black eyebrows, sharp nose, bald crown encircled by white hair. He has a red face and large cheeks. But it is a pleasant face. He smiles easily and there is a grandfatherly look in his eyes. He smokes a cigar encased in an amber holder, from morning to night. At first he was shy—almost scared—but soon this wore off, and he got a real thrill out of the proceedings. He allowed a midget from the circus to sit on his lap, he posed for photographs and he gave a half-hour interview, although not for publication. He looks like a jolly

British squire, or a great Alaskan bear. He is massive, ponderous, deliberate in speech and action.

He is very proud of the House of Morgan—proud as a child. When Mr. Pecora expressed surprise at the fact that no brass sign hangs outside his office door at 23 Wall Street, he said with a smile: "Oh, I guess the passers-by know we're there." A Morgan, in his opinion, doesn't have to advertise.

The Man from Sicily

Mr. Morgan's inquisitor is a stocky, olive-skinned son of Sicily—"Ferd" Pecora to his friends. He is one of the ablest examiners the Capital has seen in years, not barring the late "Tom" Walsh of Teapot Dome fame. He has dug deep into the records of the Wall Street houses under investigation, and he has the facts in his hand. His memory is like a photographic film. When he asks a question, he knows the answer to it, and it is no use trying to fool him. But he is always cool and calm; he does not frighten a witness or warn him of the next question to come, as so many lawyers do under such circumstances.

Mr. Pecora is 51 years old. He was brought here from Sicily when he was four. Whereas Mr. Morgan inherited millions, Mr. Pecora began life working in a New York City sweatshop. He began to study to be an Episcopalian minister, but had to quit to help support a large family. He studied law at New York University, and then entered politics. After twelve years in the office of Assistant District Attorney of New York, where he got 80 per cent convictions in all his cases, he began the practice of private law. His prominence in the Morgan inquiry is expected to win him fame and fortune he never dreamed of six months ago. But he carries his new honors humbly, easily.

Meet Senator Carter Glass

Mr. Pecora's chief obstacle in getting the facts has not been J. P. Morgan. It has been Senator Carter Glass, old-fashioned, aristocratic Democrat from Virginia. Although the senator is no friend of financiers, he has criticized Mr. Pecora's methods, and assailed the whole investigation as a "circus." For a while it looked as if this influential former secretary of the treasury might be able to stop the inquiry altogether. But Chairman Duncan Fletcher, a Florida Democrat, and Senator James Couzens, a Michigan Republican, rushed to Mr. Pecora's rescue, and Mr. Glass was outvoted—and outtalked.

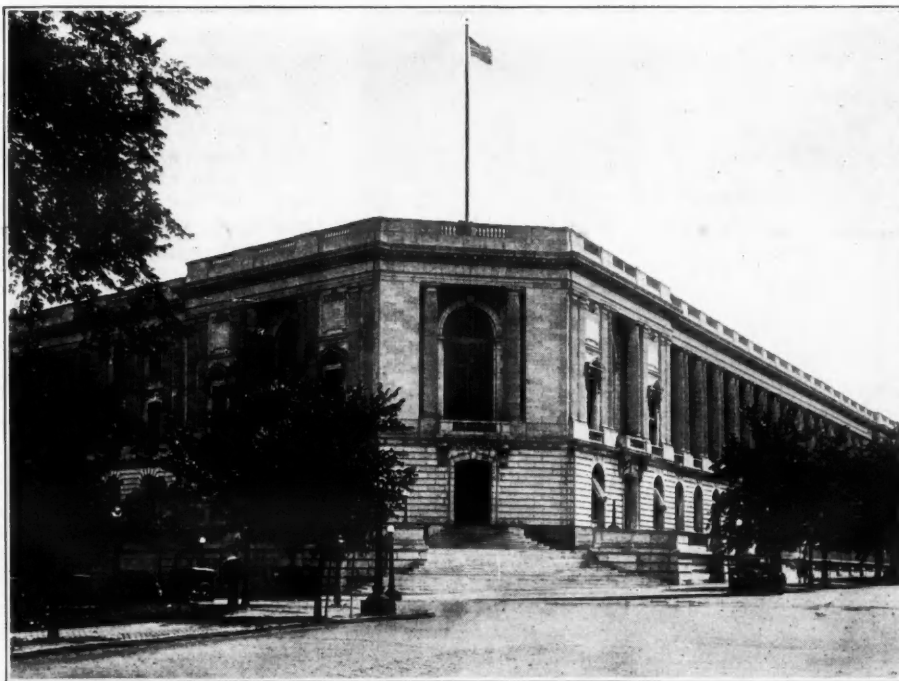
Mr. Glass, probably for a good reason from his standpoint, feels the investigation is unnecessary. Congress has just passed his banking reform bill, which regulates "private banks" in several important respects. Besides, the senator is old—75 years old—and jealous of the dignity of the Senate. He thinks it lowers the Senate dignity to stage such scenes as these, with thousands of people applauding and fighting to jam into the hearing room. He is also angry because he has not been kept informed in advance of the sensations that tumbled out on the table under his nose. That is why he said after one especially turbulent session: "All we need now is peanuts and lemonade to make this a real circus." Next day, although Mr. Glass was not present, a midget from the "greatest show on earth" (Concluded on page 7, column 4)



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CARTER
GLASS



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FERDINAND
PECORA



THE SENATE OFFICE BUILDING

Members of the Senate have their offices in this building which also contains large rooms where committee sessions and hearings are held. The Morgan investigation was carried on at first in the room of the Banking and Currency Committee, but, because of the large attendance, was moved to a caucus room.